

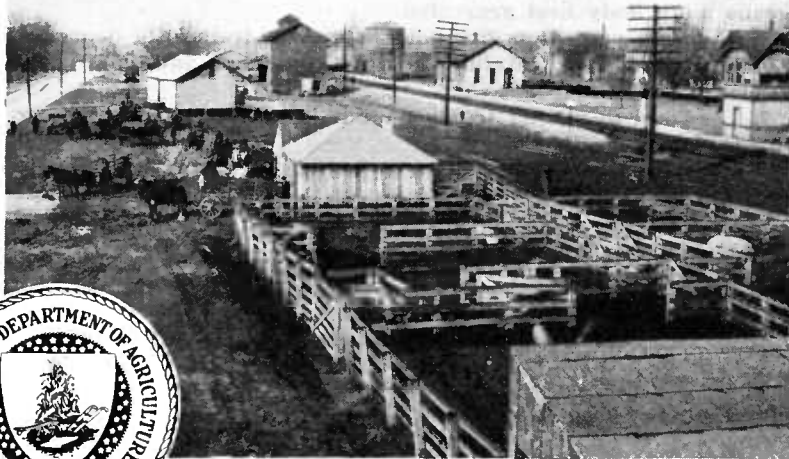
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U. S. DEPARTMENT OF  
AGRICULTURE

FARMERS' BULLETIN No 1502

COOPERATIVE  
LIVESTOCK  
SHIPPING  
ASSOCIATIONS



## Suggestions for Livestock Shippers

1. Order your car properly and give the railroad as much advance notice as possible.
2. Where other types of cars are substituted be sure to have this fact fully noted in the contract.
3. Bed your car properly and use the material best suited to the kind of stock loaded. A well-bedded car is a well-shipped car.
4. Mark your stock legibly for identification, using the best system for the purpose. Uniform marks simplify identification.
5. Gauge your mixtures properly and ship straight loads of one species whenever possible.
6. Pay particular attention to the proper partitioning of the species and tie any dangerous animals carefully and securely.
7. Be careful in giving shipping instructions and be sure the contract you sign complies with the instructions given.
8. When desirable, execute the 36-hour release to avoid unnecessary feeding. Always give any necessary feeding instructions.
9. Always pay the lawful tariff charge regardless of any possible errors of the railroads.

## Hot Weather Hog Shipping Suggestions

1. Haul or drive your hogs into shipping station in ample time to allow them to become rested and cool before loading.
2. Insist upon a clean car bedded with sand.
3. Wet down the bedding and interior of the car before loading.
4. Give only a light grain feeding before shipping. Heavy feed means more body heat generated.
5. Load not more than one hour before the train is to depart.
6. Load slowly and carefully. Avoid excitement and do not beat or bruise the animals.
7. Load not to exceed 16,000 pounds in a standard 36-foot car during warm weather.
8. Have the cars drenched at every available point immediately after the train stops.
9. Use ice bags suspended from the car roof whenever possible. Six bags to a car will suffice.

# COOPERATIVE LIVESTOCK SHIPPING ASSOCIATIONS

*Prepared in the Division of Livestock, Meats, and Wool, and the Division of Agricultural Cooperation, Bureau of Agricultural Economics*<sup>1</sup>

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**M**ARKETING LIVESTOCK through cooperative shipping associations has become well established in those States where hogs are marketed in considerable numbers throughout the year. This method of marketing is also being used to some extent in general farming and dairy sections, where most farmers raise a few cattle, sheep, and hogs for market every year. The extensive development of cooperative livestock shipping associations is evidence of results satisfactory to the many thousands of livestock producers who market their stock through them.

## REASONS FOR COOPERATIVE SHIPPING

In sections where livestock production is incidental to other systems of farming, especially in dairying districts, where most farmers have only a small number of animals to sell at one time, stock in excess of local demands must be marketed by farmers in less than carload lots. Even in sections where stock feeding predominates a similar condition exists. The low grade of many of these small lots of livestock, particularly of cattle, ordinarily causes them to be discriminated against even more than their low grade justifies; and when abnormal market conditions and fluctuations occur, such as have been prevalent during the past few years, local buyers and shippers must buy on wider margins to insure themselves against possible loss.

The existing marketing system necessitates shippings of a large part of the livestock of the country to the central markets on ac-

<sup>1</sup> The following men assisted in the preparation of this bulletin in its various forms: S. W. Doty, Turner Wright, O. B. Jesness, F. S. Ruggles, Ralph Loomis, C. A. Burmeister, L. B. Burk, and C. G. Randell. This bulletin supersedes Farmers' Bulletins 718 and 1292.

count of limited local demand. This fact makes it possible for local buyers to operate extensively in farming sections where the individual farmer does not produce livestock in sufficient numbers to enable him to ship in carload lots. The margin between prices paid by local buyers and those obtained at central markets often causes dissatisfaction among producers. This condition, coupled with the desire of farmers to ship their stock direct to the market centers, has been largely responsible for the rapid spread of the cooperative livestock shipping movement.

#### ORIGIN AND EXTENT OF MOVEMENT

The Farmers' Shipping Association of Superior, Nebr., on the basis of the records available, is entitled to the distinction of being the first organization of its kind in this country. This association was formed in 1883 and has been in continuous operation since. For many years following the organization of this association it was a common practice for several farmers in a community to consolidate their livestock offerings to make a carload shipment to market, but so far as the records show the second cooperative association for shipping livestock, formed in Iowa, was not organized until 1904. The growth of the movement was very slow during the next 10 years, and was limited almost wholly to the States of Minnesota, Wisconsin, and Iowa. Beginning with 1917, the interest in this method of marketing livestock developed rapidly. At present it is estimated that from 4,000 to 5,000 organizations of producers in the various States are shipping livestock in a cooperative way. The movement has made the most headway in the Corn Belt and Middle Western States.

The first associations for the cooperative shipping of livestock were, as a rule, organized to take care of the livestock in territory tributary to a local shipping station, and a majority of the associations in existence to-day were organized for that purpose. Such associations usually confine their operations entirely to the marketing of livestock; but there are some which also handle feed, salt, coal, and other supplies used by farmers. In many of the States there are also cooperative organizations of producers, such as cooperative grain elevators, cooperative stores, and creameries which, in addition to their principal activities, receive and market the livestock of a community on a cooperative basis.

In recent years in some of the States, particularly Ohio, what is known as the county-wide type of association has been organized. Such associations, organized on the county unit basis, provide for shipping livestock from practically every railroad loading point in the county where the necessary facilities are available. A county manager is employed, who is responsible for listing, receiving, marking, grading, weighing, and consigning the stock and receiving and prorating the returns. He usually has an assistant at each shipping point, who attends to all the details incident to receiving and loading the stock for shipment.

A few associations are trying out new methods of marketing in an effort to reduce costs and obtain the greatest net income for their shippers. These methods involve selling direct to packers, guar-

anteering yield, and selling through concentration points and by auctions.

#### ADVANTAGES OF SHIPPING ASSOCIATIONS

Several advantages are to be gained by farmers in marketing their cattle, hogs, and sheep cooperatively. Foremost among them is the possibility of a greater net return to the farmer if the association is efficiently managed. He receives the prevailing market price for his livestock, less the actual cost of shipping and marketing. Another important factor is that in most instances the existence of the shipping association has compelled local buyers to operate on a much narrower margin. Returns received for thin stock, calves, and lambs shipped cooperatively often are larger than expected, for it is on these classes of animals that local buyers ordinarily make their largest profits.

If an association is properly organized and operated, the members are reimbursed for animals killed or injured in transit from a protection fund provided by an assessment on all livestock shipped through the association. Some associations take out an insurance policy covering each shipment. Cooperative marketing of livestock enables producers to obtain a fair price for injured stock.

The most important advantage of the cooperative livestock shipping association to the producer, however, is the knowledge he gains through the opportunity to compare market prices of finished and unfinished stock of different grades, weights, and types, and to profit by the knowledge that such comparison brings. The information thus obtained regarding market values enables him to select proper feeding and breeding types and to market his stock to the best advantage. Prior to the organization of the cooperative shipping association many producers were unable to determine the actual difference between the market value of inferior types and grades of livestock and those commanding the best prices. The lack of this knowledge often caused them to produce heavier or lighter weights than the market desired and to feed undesirable types.

The producer who formerly may have held his stock until he had a carload to ship, and who frequently made but one or two shipments a year, is enabled, through the association, to top out his holdings as their condition and other considerations seem to warrant. This often enables him to market a more merchantable product than would be the case otherwise. This method also gives the producer the advantage of marketing his livestock when it is in proper condition through different seasons of the year and on different market days, thus insuring him against the possible misfortune of having to sell all or the greater part of his offerings at a time when the market has suffered a serious decline.

#### FORM OF ORGANIZATION AND INCORPORATION

The form of organization required for a livestock shipping association is relatively simple, but the plan presented herein should be considered carefully and in detail in order that it may be adapted to local conditions and that the members may understand fully the method of operation. The by-laws should be read, discussed, and voted upon section by section.

An association may be formed without capital stock or it may be a capital-stock organization. Farmers contemplating the formation of livestock shipping associations have found the nonstock, non-profit form of organization well adapted to their needs.

In most of the States, however, stock associations may be organized that are nonprofit in form, with such restrictions on the issuance and transfer of stock that in operation they closely resemble nonstock associations. In States where the laws provide only for the incorporation of organizations with capital stock, it will be necessary to follow the capital-stock form.

It is advisable for all organizations to incorporate, as this gives the organization a distinct legal status which can not be obtained otherwise. For instance, an unincorporated association is hampered in the matter of bringing suit as an organization, whereas the incorporated association is not subject to such disability. Moreover, in the incorporated association the individual member's responsibility is usually limited by law to the amount which he has therein invested. The general rule is that each member of an unincorporated association is liable for the debts and obligations thereof incurred during his period of membership and which were necessarily contracted for carrying out the purpose for which the association was formed. The liability referred to is similar to that of partners. All members of an unincorporated association who authorize a particular act or transaction, or who later ratify it, are liable in connection therewith.

The incorporated association has a definite legal form of organization. This, together with the freedom from liability of the members thereof for the debts of the association, furnishes strong reasons for preferring the incorporated association to the unincorporated. In the absence of a law permitting unincorporated associations to take and hold title to property in their societies' names they can not do so, whereas an incorporated association may take title to property in its own name.

Before incorporating an association the laws of the State in which it is planned to incorporate should be carefully examined. The steps necessary to take in order to form an incorporated association or corporation vary in the different States. In all of them a paper must be prepared in accordance with law, setting forth the objects and purposes of the association and other facts required by law. This paper must be signed by a certain number of those interested in forming the incorporated association, and in many States it must be acknowledged by one or more of them before a notary public or other qualified officer. The paper is usually known as the articles of incorporation or association. It must then be filed with an officer of the State, generally the secretary of state, who on filing it issues a certificate of incorporation.

Upon the filing of the articles of association or when the certificate of incorporation is issued the incorporated association generally comes into existence. The exact moment when the association or corporation comes into being varies somewhat in the different States, but the above outlines the general rules on the subject. It should be borne in mind that an incorporated cooperative association is just as much a corporation as one formed to manufacture steel or automobiles.

After the formation of an incorporated association, by-laws should be adopted. The by-laws should conform to the laws of the State in which the association is formed and should be in harmony with the articles of association and the certificate of incorporation. The by-laws constitute a working plan for the association. They should perform the same office for an association that a blue print performs for a builder. A suggested form of by-laws will be found on page 21.

Very little capital is required in the operation of a livestock shipping association, as it should not at any time buy or speculate in livestock, nor should payment be made for any animals shipped until the returns have been received. There are times when it seems advantageous for the local manager to buy a few animals to complete a carload, but this practice so endangers the success of the organization that it should not be permitted. If the association is organized on a nonstock basis a small membership fee is sufficient to take care of any initial expense that may be necessary.

If the association is formed with capital stock the share value need not be very large, for, as indicated, the capital requirements are not great. In fact, the presence of a large amount of capital is likely to offer a temptation for the organization to depart from cooperative methods and to lead it into inadvisable ventures. Associations formed with capital stock should follow the cooperative plan of organization and operation as closely as possible.

Cooperative laws usually provide that members shall have only one vote. Where there is no cooperative law this result may be obtained by selling only one share of stock to each member. Restrictions on the transfer of capital stock should be adopted wherever such restrictions are permitted by law, in order that the control of the organization may not fall into the hands of one or a few individuals. The plan of operation followed by livestock shipping associations is such that usually no surplus fund is accumulated. In case any surplus is to be divided, it should be distributed in accordance with the amount of business done by each patron wherever such an arrangement is permissible.

A suggested form of by-laws for nonprofit livestock shippers' associations, formed without capital stock, will be found on page 21. These by-laws should be regarded as merely suggestive, and should be changed to meet the individual needs of the association. The by-laws serve an important purpose in that they are a guide for the organization in its operation, and they should be prepared with care.

#### THE MANAGER

After the organization has been formed, a manager must be selected. The success of a livestock shipping association depends to a large extent upon the manager, therefore great care should be used in his selection. It is essential that he be honest, capable, and able to work with others, with a thorough knowledge of livestock production and marketing and an understanding of business methods and principles. He should be a man in whom the farmers have confidence.

Some associations have employed local livestock buyers as managers. These buyers as a rule thoroughly understand the shipping and marketing of livestock and are well acquainted with the farm-

ers of the community. From this standpoint such men are well fitted to manage a shipping association if they are able to grasp the spirit of cooperation and have the confidence of the farmers. In many instances these two qualifications are lacking. In case a local livestock buyer is employed as manager of a shipping association, under no circumstances should he be permitted to buy or sell livestock for his own account or do any other act in direct conflict with the interests of the association.

Duties of the manager are described in the suggested by-laws found in the Appendix. He must see that proper car space is ordered to contain the livestock listed for each shipment, and must be on hand on shipping days to receive, mark, and weigh the animals and see that they are properly loaded. Some associations require the manager to sort and grade the livestock at the loading station. The manager also must determine the market and commission firm to which the stock is to be consigned. In some associations this privilege is accorded to the shipper having the largest number of animals in the shipment. Whenever he deems it advisable the manager should accompany the shipments to market to see that they receive careful attention. In addition he must keep posted on market prices and conditions.

His duties usually occupy only part of his time, consequently it is customary to pay him a certain commission for each hundred pounds or carload of livestock handled instead of a fixed salary. The amount of this commission depends largely on the volume of business handled, and organizations may find it advisable to vary the rate from time to time as conditions may require. Competent managers seldom can be obtained where the remuneration is insufficient to attract men of the desired qualifications. In many instances the volume of business is not sufficient to justify paying sufficient salary or commission to obtain a capable part-time manager. Therefore, where it is possible two or more organizations should consolidate if it will permit employing a full-time manager.

#### BONDING THE MANAGER

The manager should be under adequate bond for the protection of the association. This is a business rule which should be followed without exception. Its purpose is not only to protect the shippers but also to instill confidence in the association and its management, and it usually is welcomed by the manager. This matter can best be handled by requiring a surety bond rather than a personal bond, the expenses thereof being paid from the funds of the association.

#### DUTIES OF MEMBERS

A cooperative livestock shipping association, like any other cooperative enterprise, must have the loyal, active support of its members in order to be successful. Each member should realize that the organization is cooperative, not automatic. Producers who ship livestock through a cooperative association should cooperate fully with the manager by supplying information regarding the livestock which they intend to market through the organization and the approximate time it will be ready for shipment. All promises to deliver stock at specified times should be kept. The manager relies on these

promises when he orders cars, and if one man fails to deliver the stock promised it is possible that there will not be a sufficient number of animals delivered at the loading station to fill the car or cars ordered, and those who do ship will have to pay a proportionately higher rate for freight and other expenses. The man who does not keep his promise directly injures his neighbors and weakens the organization which is working for his benefit. Permanent benefit should receive greater consideration than temporary gains occasioned by outside offers.

Fair practices on the part of patrons of the association in the preparation of livestock for shipment also are essential. Livestock should not be fed and watered immediately prior to being delivered to the manager, because when so fed and watered they shrink more and they incur a greater risk of dying in transit, especially during unusually warm days either in summer or winter. Furthermore, if the stock is sold at the market on the basis of grade the shipper who gives proper care and attention to feeding and watering at home is penalized by reason of the dishonest practices of his fellow cooperator who gives his stock an excessive fill before delivery to the manager. Livestock is not sold at the market on the basis of home weights, hence an extra fill before loading is a loss to all shippers. The practice of extra filling often causes great dissatisfaction among members and has been known to destroy an association. The practice may be eliminated if the manager requests the commission firm handling the shipment to weigh separately all animals suspected of being filled excessively at home in order that the proper shrinkage may be charged to the rightful owner.

#### ASSEMBLING A SHIPMENT

Most livestock shippers prefer to have their livestock sold in the central markets from Monday to Thursday, inclusive, hence the manager of an association should plan to have his shipments arrive to be sold on these days. In many instances livestock train schedules determine the days of the week when shipments can be made. The shipping days being known, the farmers notify the manager by telephone or otherwise of the number of head and the approximate weights of the different kinds of stock they have to ship. This should be done several days in advance, so that the manager will have sufficient time to arrange for proper car space.

When the manager has listed enough livestock of a certain kind to make a carload he arranges for a car and then notifies all those who have listed stock as to the date he will receive it. The farmers deliver their livestock on shipping days to the manager, who weighs and marks and, to a certain extent, grades it. It is important that stock listed for shipment on a certain day be delivered unless release is procured from the manager. This avoids inconvenience both to the manager and other members. Furthermore, a member should not deliver more stock than was listed.

#### MARKING

Marking of livestock in cooperative shipments is a very important feature in conducting the business of the association, especially if

the stock is to be sold according to ownership or if the commission firm is expected to prorate the returns to each owner. It is only by proper marking at the shipping point that a commission firm is enabled to determine the ownership of the animals of a consignment, and without this information it is difficult, if not impossible, to make proper distribution of returns. Where a load of stock consists of animals of uniform size and quality, however, it usually can be sold to better advantage as a carload lot rather than by ownership, and in such instances marking is unnecessary.

Consideration should be given to the advisability of establishing a uniform system of marking for all cooperative shipments. In fact, this plan is strongly recommended by many association managers and others closely associated with the cooperative shipping business.

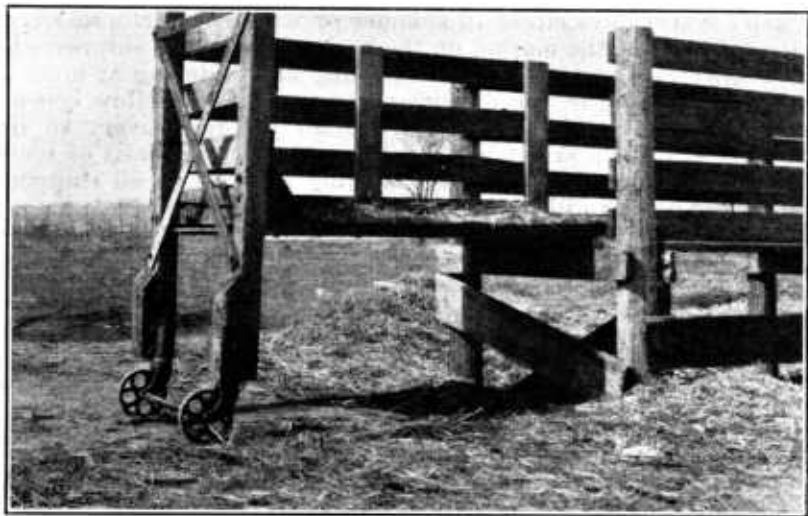


FIG. 1.—Various types of unloading chutes are used by livestock shipping associations. This is a telescope type which has been found very satisfactory. It can be adjusted to a wagon or truck of any width. The floor of the unloading platform rests on a roller, which makes it easy to pull out the chute or slide it back.

State federations of cooperative livestock shipping associations have recommended the adoption of a uniform system of marking livestock. Such a plan would be of material benefit to commission firms in handling cooperative shipments at the yards, as it would reduce to a minimum the chances of error in regard to ownership. The following system of marking is generally considered adaptable to the needs of all associations:

#### CATTLE AND CALVES

Cattle and calves are marked by clipping 4-inch Roman numerals on the right or left hips, preferably the former. The hair is clipped close to the skin, so that the mark will be readily seen by the commission men. Care should be taken to make all marks distinct as it is easy to mistake the number VI for III or VII for IIII if the bars of the V are not joined. Lots from 11 to 20 may be designated

by clipping one bar at right angles to the numeral and lots from 21 to 30 by placing two bars before the numeral (fig. 2).

#### SHEEP

Sheep are marked by using branding fluid applied with a half-inch stiff round-bristle brush for marking. The marks should be placed on the head, top of shoulders, back, or rump (fig. 3).

#### HOGS

Hogs are marked by clipping not to exceed four marks on the top of shoulder, back, or rump, or not to exceed three marks on the side of shoulder, body, or ham. This will permit separate marks for 21 owners. By allowing one owner to send his hogs unmarked, 22 owners can be represented in one car.



FIG. 2.—A satisfactory method of marking cattle for cooperative shipment. Marks shown indicate lots 7, 17, and 27

Instruments found most suitable for making clip marks are: Shears with curved blades about 8 inches long, commonly called "roaching shears;" small straight shears similar to those used by barbers, except that the points should be rounded off; and narrow-bladed clippers. The first instrument is most generally used by associations.

Use of paint in marking stock, unless varnish dryer has been added, has been found very unsatisfactory in most instances because it smears. In no case should it be used for marking hogs. Numbered or colored ear tags, used by a few associations, are unsatisfactory, for it is difficult at the stockyards to get close enough to the animal to observe the number of the tag, and the tag is frequently covered with mud or is lost. Commission men and others handling cooperative shipments at the central markets particularly condemn the use of ear tags, because of the difficulties they have encountered in identifying ownership in shipments so marked.

It is important that the marks be made on a conspicuous part of the animal, that they may be seen readily at the market without unduly disturbing the animals. Heavy shrinkage often results because animals are unnecessarily disturbed to determine identity of ownership when the marks are indistinct. This is particularly true with respect to hog shipments. Every effort should be made to mark all animals in one shipment on the same side.

As a matter of convenience, it is customary to leave unmarked the animals of the owner having the largest number in a consignment. The stock of each of the other consignors, however, should be designated by a certain mark or numeral. By using different characters on different portions of the animal, as outlined above, a sufficient number of combinations are possible to take care of a large number of animals of different ownership in one ear. Where a shipment



FIG. 3.—An excellent way to mark sheep. A can with an open bottom is dipped in the branding fluid and the circle stamped on the sheep's wool. Different ownership may be indicated by stamping circles on different parts of the body and by using different branding fluid.

contains a bull, stag, or other animals with outstanding physical characteristics which permit easy identification, such animal or animals may be left unmarked. Care should be taken to list them separately on the manifest sheet, giving the ownership.

Some associations in making calf shipments mark only the "bobs," "skimmers," "throwouts," and "thin, grassy vealers," and leave the good calves of similar weight and quality unmarked. It is the general practice at market centers to sell a bunch of calves at one price, with the "off grades" sorted out at different prices. Therefore, if the manager will weigh these "off grades" of calves separately and mark and list them accordingly on the manifest sheet, the necessity of marking good veal calves is done away with and at the same time an equitable distribution of the proceeds of the sale is possible. Where this is done it is essential that home weights are obtained according to ownership.

It is a distinct advantage to shippers that all calves of the same grade in a shipment be weighed together at the market, thereby avoiding a large number of drafts on the scales and the loss due to the fact that many stockyard scales are graduated to weigh only to the nearest 10 pounds. The same is true of other small livestock. In the case of cattle, however, the shrinkage may differ considerably among the different animals in a shipment. It is therefore desirable that the cattle of each owner be weighed separately at the market, so that each may bear his proper share of the shrinkage.

Hogs are not marked by many associations, but are graded and weighed by the manager at the shipping point, and a record is kept of the different weights and grades and of the dockage. The shrinkage is prorated in this case on the basis of home weights. Hogs of the same grade and value, though marked differently, usually are sold and weighed together at the market and the shrinkage prorated.

#### SELLING LIVESTOCK AND PRORATING EXPENSES

Since the system of prorating and accounting used depends in considerable measure on the method of selling livestock in cooperative shipments, selling and prorating are here considered together. The best methods of selling are those that net the most dollars to the shippers. The best systems of prorating and accounting are those that are inexpensive but efficient, that are not too complicated for the average manager, and that can be audited easily and quickly.

There are two general methods of selling stock in cooperative shipments on the terminal markets—according to individual ownership and according to grade. The principal advantage claimed for the first system is that it insures each shipper, whether he contributes one head of stock or half a carload, just what his stock is worth on the day it is marketed. Also when stock is weighed according to ownership on the terminal market, each lot of stock is credited with the exact amount of shrinkage suffered between shipping point and terminal markets. There are conditions under which the manager is justified in having livestock sold and weighed according to ownership. Cattle from different farms, subject to different systems of feeding before shipment, will not shrink with any great degree of uniformity, and therefore should be weighed separately. Hogs in cooperative shipments, which the manager has reason to believe were given a big fill before weighing at shipping point, should be cut out and weighed separately at the market. A shipper who is tempted to give his hogs a heavy feed before delivery to the manager is discouraged from following such practice, knowing that his stock may be cut out and weighed according to marks. Sheep that are wet when received by the manager may also be weighed separately at the markets.

The disadvantages of selling stock by ownership constitute the advantages of selling by grade. Stock that must be sorted for ownership before weighing shrinks more than that weighed in larger lots. Early in 1921 four one-car cooperative shipments of hogs were weighed at the Kansas City stockyards under the supervision of the United States Bureau of Markets. From 3 to 14 owners

were represented in each shipment, with an average of 7 owners. The hogs were first weighed in car lots and then sorted and reweighed according to ownership. The shrinkage per car obtained caused by sorting and reweighing ranged from 40 to 150 pounds, with an average of 92½ pounds per car. The average price received from these hogs was \$8.52 per 100 pounds. The loss per car from sorting and reweighing was \$7.95. Figured on a 100-pound basis, the following of this practice amounted to deducting nearly 5 cents per 100 pounds from the sale price. In most cases four men did the sorting, completing their work with an average of four and one-half minutes per draft. Counting delays in waiting turn at scales, the average time required was seven minutes per draft.

It is generally recognized that stock sold in small lots is at a disadvantage as compared with stock sold in car lots. This disadvantage may not appear when the market is strong, but becomes very apparent when the market has a downward trend. Buyers can not be blamed for preferring to buy in large lots. On several markets, particularly in the Middle West, a large number of hogs are bought by order buyers for shipment to eastern killers. These buyers will often pay a marked premium for hogs that can be weighed without sorting in order that they may get their stock loaded by noon for shipment East. It is easier to find loss through shrinkage on cooperative shipment incurred through sorting than to estimate the loss in price similarly incurred. Doubtless in many cases the loss in price paid on stock held for sorting greatly exceeds the loss through sorting for individual owners.

On most markets an extra commission charge of from \$2 to \$3.50, depending on the number of owners represented, is made where extra work on account of individual ownership is required. By following the efficient practice of selling stock on grade the extra work and expense of sorting is avoided. A better price to the individual shippers may be expected. Recognition of the quality of each shipper's stock in making up the accounts of sale insures justice to the individual shipper.

Prorating of expenses on cooperative shipments is done either by the commission firm selling the stock or by the manager. It is desirable to have this done by the manager, although some, in regard to the commission firm prorating the expenses, advance the argument that commission firms are better equipped to do this work than managers. If the work is done by the commission firm the manager should check it; therefore it is little additional trouble for the manager to do all this work. The manager should be furnished with a system of prorating and accounting that is workable. A complete description of the various accounting forms needed and the methods of keeping records will be found in Department Bulletin 1150, "Accounting Records and Business Methods for Livestock Shipping Associations." After one shipment has been prorated successfully it is easy for the manager to follow such a system.

#### EXPENSES

A specified rate per 100 pounds or car is deducted from each shipment to cover the manager's commission and running expenses and to provide for a protection fund. The amount set aside for the

manager's commission varies among the different associations from 4 to 10 cents per 100 pounds. Some associations, instead of basing the manager's compensation on live weight, pay him a specified amount per car.

The protection fund is in the nature of an insurance and is set aside for the purpose of paying for animals killed or injured in transit. The usual amounts deducted for this fund are 2 to 3 cents per 100 pounds on cattle and 3 to 4 cents per 100 pounds on hogs, sheep, and calves. The most equitable method is to deduct a certain percentage of the net proceeds.

#### SOME PRACTICAL RESULTS

The yearly increase in the number of cars of stock shipped by various livestock shipping associations is evidence of the fact that farmers are quick to see the benefits derived from cooperation in the shipping of livestock.

The following figures may be considered indicative of what is being accomplished by some of the more successful associations:

##### *A Minnesota farmers' shipping association*

Year	Cars	Gross receipts	Year	Cars	Gross receipts
1908.....	14	\$11,599	1917.....	175	\$389,610
1909.....	35	39,569	1918.....	208	552,775
1910.....	81	102,163	1919.....	217	625,930
1911.....	104	114,764	1920.....	210	436,545
1912.....	146	181,544	1921.....	185	272,805
1913.....	153	218,116	1922.....	194	298,853
1914.....	173	256,044	1923.....	236	294,276
1915.....	172	216,518	1924.....	198	256,164
1916.....	184	284,379			

##### *A county livestock shipping association in Ohio*

Year	Shippers	Decks	Market weight	Hogs	Cattle	Calves	Sheep
	<i>Number</i>	<i>Number</i>	<i>Pounds</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
1921 <sup>1</sup> .....	1,350	492	6,533,880	31,662	362	354	1,657
1922.....	2,326	670	9,241,085	42,662	886	1,059	2,686
1923.....	3,336	862	12,215,480	57,034	1,389	1,817	3,225
1924.....	4,143	936	13,490,055	62,116	1,546	2,343	4,060
1925.....	6,750	1,210	16,797,200	69,620	1,139	3,554	6,343

<sup>1</sup> From Oct. 27, 1920, to Dec. 31, 1921.

Itemized statements of market prices, expenses, and shrinkage rendered to each shipper greatly increase the latter's interest in market quotations and demands. Managers of associations which have been organized for some time state that the quality of livestock in their communities has improved noticeably. The raising of better types is being encouraged, because cooperative marketing enables producers to recognize the true market value of the different grades of livestock.

The following summary of the business of a farmers' shipping association in Minnesota for 1913 and 1920, with the detailed state-

ment of expense for the same association for 1920 as given in its annual reports, will indicate what one group of farmers has done in marketing livestock cooperatively:

*Report for 1913 of a farmers' livestock shipping association in Minnesota*

1913	Number shipped	Total weight	Average weight	Shrinkage	Total expenses	Expense per 100 pounds	Sold for	Net paid to owners
		<i>Pounds</i>	<i>Pounds</i>	<i>Per cent</i>		<i>Cents</i>		
Hogs.....	7, 177	1, 659, 145	231	1. 07	\$5, 413. 95	32. 6	\$128, 117. 64	\$122, 703. 69
Cattle.....	1, 317	1, 202, 530	913	1. 04	3, 348. 70	27. 9	66, 751. 85	63, 403. 15
Veal.....	1, 667	230, 285	138	3. 5	1, 304. 08	56. 6	18, 675. 38	17, 371. 30
Sheep.....	846	85, 035	100	2. 8	399. 57	47. 0	4, 571. 88	4, 172. 31
Total..	11, 007	3, 176, 995	-----	-----	10, 466. 30	-----	218, 116. 75	207, 650. 45

*Report for 1920 of a farmers' livestock shipping association in Minnesota*

1920	Number shipped	Total weight	Average weight	Shrinkage	Total expenses	Expense per 100 pounds	Sold for	Net paid to owners
		<i>Pounds</i>	<i>Pounds</i>	<i>Per cent</i>		<i>Cents</i>		
Hogs.....	9, 875	2, 338, 125	236	0. 99	\$11, 116. 22	47. 5	\$300, 004. 94	\$288, 888. 72
Cattle.....	1, 526	1, 265, 687	829	1. 43	4, 597. 50	36. 3	83, 955. 08	79, 357. 68
Veal.....	2, 502	335, 660	134	4. 29	2, 381. 43	71. 0	41, 465. 04	39, 083. 61
Sheep.....	1, 128	87, 230	77	3. 17	527. 08	60. 4	10, 659. 91	10, 132. 83
Total..	15, 031	4, 026, 702	-----	-----	18, 622. 23	-----	436, 084. 97	417, 462. 74

*Financial report for 1920*

RECEIPTS		DISBURSEMENTS	
From sale of hogs.....	\$300, 004. 94	Printing and supplies....	\$82. 16
From sale of cattle.....	83, 955. 08	Directors' meetings.....	97. 80
From sale of veal.....	41, 465. 04	Sinking fund .....	555. 47
From sale of sheep.....	10, 659. 91	Feed, lumber for yard....	554. 62
From sinking fund.....	360. 47	Manager's expenses.....	806. 25
		Manager's commission....	1, 774. 19
		South St. Paul charges, weighing, insurance, etc .....	224. 66
		276 bales of hay.....	462. 00
		855 bushels corn.....	1, 803. 29
		Commission.....	3, 250. 52
		Yardage .....	1, 950. 50
		Freight and war tax....	7, 421. 24
		Net paid for stock.....	417, 462. 74
Total.....	436, 445. 44		436, 445. 44

*Sinking fund*

RECEIPTS		DISBURSEMENTS	
Balance Jan. 1, 1920.....	\$285. 32	For losses.....	\$360. 47
Sinking fund receipts.....	555. 47	Balance on hand.....	480. 32
Total.....	840. 79		840. 79

## Membership fee fund

RECEIPTS		DISBURSEMENTS	
From membership fees-----	\$124. 00	Check writer-----	\$25. 00
From rent of scale-----	49. 00	Liability insurance-----	26. 95
		Insurance on scale, office-----	6. 60
		Rent to Great Northern-----	5. 00
		Beef and pig contest-----	59. 00
		Rent of telephone-----	36. 00
		Balance on hand-----	14. 45
Total-----	173. 00		173. 00

## SUGGESTIONS FOR COOPERATIVE SHIPPERS

## ORDERING THE CAR

Orders for cars must be placed with the railroad agent in writing a reasonable time in advance of date desired to be legally binding, and must show (1) the number of cars desired; (2) the length of the car or cars; (3) the type of car (single or double deck); (4) intended destination of the shipment; (5) date of intended loading; (6) whether car will be bedded by shipper or railroad.

A carbon copy of this car order should be kept and a notation should always be made on the shipping contract in those cases where the car furnished does not correspond to the car ordered.

## SUBSTITUTION OF CARS IN LIEU OF THE KIND ORDERED

Generally throughout the country the railroads provide for the protection of the rate and minimum capacity applicable to the size and type of car ordered, where a different size or type is furnished for the carrier's convenience.

This protection in case of substitution applies in the following cases:

1. Substitution of a double-deck car, one deck of which is to be loaded in place of a single-deck car ordered.
2. Substitution of two single-deck cars in place of one double-deck car ordered.
3. Substitution of a long car in place of a short car ordered.
4. Substitution of two short cars in place of a long car ordered.

Shippers can not hope to receive this protection, however, unless—

1. The description of the car ordered and the fact of substitution is noted on the shipping contract.
2. The substitution is provided for in lawful tariffs.
3. The car order is placed well in advance of the shipping dates.

The time required varies from no advance notice to six days. The agent should always be consulted as to the notice required.

## BEDDING CHARGES

The shipper is permitted to furnish his own car bedding, and in that event no charge is made by the railroad. If the railroad is requested to furnish the bedding a charge, usually not to exceed \$1 per single-deck or \$1.50 per double-deck car, will be assessed against the shipment.

## MARKING OF THE STOCK

The only tariff requirement as to the manner and method of marking stock is the following classification rule:

When stock belonging to two or more owners or consigned to two or more parties is loaded into the same car, or when loaded into a way car, a distinguishing mark should appear upon each head of stock. Upon cattle or small stock one or more initial letters should be marked upon the side of each head of stock. Upon calves the marks should be clipped or shaved. Corresponding initials should be placed opposite the name of consignee on the way bill or manifest, so as to insure correct and prompt delivery at the point of destination.

## RULES FOR MIXING LIVESTOCK IN SHIPPING

Uniform mixing rules are not applicable throughout the country (fig. 4). Shippers may familiarize themselves with the rules which

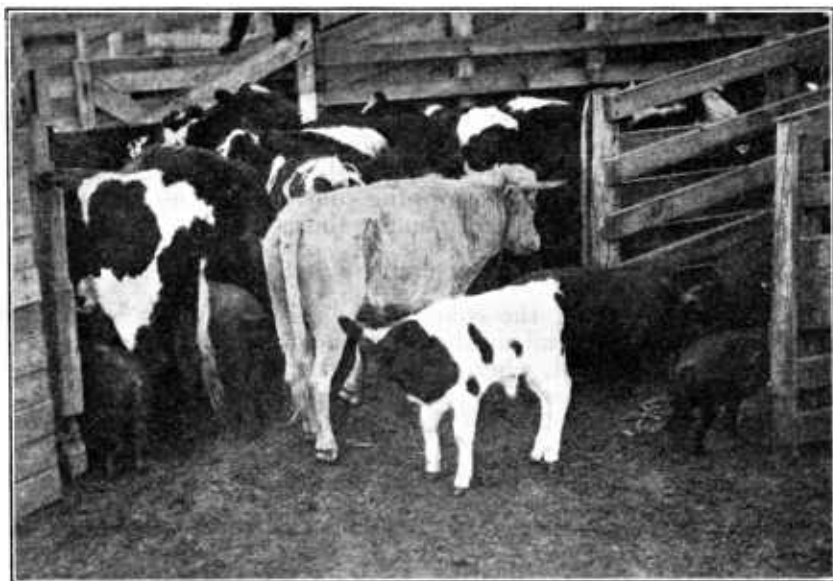


FIG. 4.—A typical mixed car of livestock often seen in cooperative shipments. Mixtures of this kind usually increase freight costs and should be avoided whenever possible

apply in their section by requesting the agent to show his tariff containing them. The following is a rule generally in effect for computing charges on mixed shipments:<sup>2</sup>

(A) When Cattle, Calves, Hogs, Sheep, Goats \* \* \* are shipped in mixed carloads, charges shall be based on the carload rate and minimum weight for that kind of stock which, on a straight carload basis, produces the highest charge, subject to exceptions in (B) and (C) below.

(B) In no case, except as provided in paragraph (C), shall the charges per car be less than on a straight carload of the highest rated kind at actual weight of the mixed shipment.

(C) Charges on mixed carload shipments of Cattle and Calves shall not exceed charges computed on basis of the Cattle rate at actual weight of the entire shipment, or at the cattle minimum weight, if greater.

Before making a mixed shipment the shipper should estimate the cost from the rates and weights applicable according to the rule. For example, it would

<sup>2</sup> Lelands Tariff, I. C. C. No. 1748, item 55.

not be profitable to place two sheep in a carload of cattle, as the higher sheep rate would be applied to the total weight of the entire shipment.

#### RATE RELATION AND CARLOAD MINIMA

It may be helpful for the shipper to study the following explanation of rate relationships and statement of the carload minima, keeping in mind that carriers' tariffs always govern. (The "standard car" does not exceed 36 feet 7 inches in length.)

1. Cattle take the lowest rate and a standard car minimum of 22,000 pounds.

2. Calves in the East and Southwest are generally provided with rates equivalent to 115 per cent of the cattle rate, and wherever special calf rates are published are subject to a minimum weight of 16,000 pounds. In territories where special calf rates are not published the cattle rate and minimum apply to calves. Where the charges are figured on the basis of the minimum cattle weight it is profitable to fill out the shipment with calves.

3. Hogs, single deck, take the next rate higher than cattle. In the East and Southwest the hog single-deck rate is 115 per cent of the cattle rate. Where calf and hog rates are the same these species make a good mixture. The hog single-deck minimum is 16,500 pounds on standard cars.

4. Sheep, single deck, take the highest rate, which in the East and Southwest is 125 per cent of the cattle rate. The sheep single-deck minimum is 12,000 pounds. The sheep double-deck minimum is 22,000 pounds.

5. Hogs, sheep, and calves, when in double-deck cars, are ordinarily accorded the cattle rate. In some sections, however, the same rate applies to hogs, single deck, and hogs, double deck. Inquiry should be made before arrangements are perfected as to whether tariffs permit small stock to be handled in double-deck cars, particularly in the southern territory, where some roads will not permit the use of double-deck cars for all species of small stock.

It should be noted that rules in effect in intrastate shipments vary in some respects from those on interstate shipments.

#### PARTITIONING AND TYING

The tariff rules require the shipper to separate each species of stock by suitable and strong partitions. Cows with suckling calves may be partitioned together, and carload shipments of cows with calves will be accepted without partitioning.

Bulls must always be tied with not less than half-inch hemp or manila rope. When small stock is loaded in the same car with bulls partitions must be installed in addition to the precautionary tying of the bulls.

#### SHIPPING INSTRUCTIONS

Great care should be exercised in billing the livestock, and a few suggestions on this subject may be helpful both to individual shippers and managers of cooperative associations. The following are the chief points to observe:

1. See that shipments are routed through to destination, and specifically designate each road handling the shipment. The law gives this right exclusively to the shipper, and railroad employees must obey your instructions.

2. Carefully insert the number and kind of each species of stock loaded. If possible state the weights separately.

3. Insert the words "Ordinary Livestock" in your description, unless it is livestock chiefly valuable for breeding, racing, show purposes, or other special uses.

4. Have the carrier's agent insert the freight rate in the proper space in the contract, and then, if it is learned afterward that the rate in question is not

applicable in accordance with published tariffs to protect the routing designated, it will be subject to adjustment.

5. Give specific instructions as to what, if any, feed is to be furnished en route.

6. Release your shipments to the 36-hour limit, so they will not have to be unloaded at the end of the 28-hour period, unless the condition of the stock makes it inadvisable.

#### FEEDING EN ROUTE<sup>3</sup>

When it is necessary to stop shipments en route for feed, water, and rest, it is advisable for the shipper to designate the feeding station and the kind and quantity of feed to be used. If desired, the attendant may load extra feed into the car and supply it when needed. If the unloading, feeding, watering, and reloading is performed by railroad employees a service charge is made.

The charge for the feed is based upon its cost to the carrier, and therefore varies at different points.

#### CAUSES OF FAILURE

In a movement so extensive as that of cooperative marketing of livestock some failures are inevitable. An analysis of the causes of failure usually reveals one or more of the following reasons:

(1) An association may be organized in a community where no actual need for it exists. When local marketing facilities are adequate and satisfactory, producers usually are unwilling to experiment with untried methods.

(2) The association manager may be incompetent, inefficient, unaccommodating, or unsympathetic in managing the business of the association.

(3) Failure of members to support the organization when outsiders endeavor to destroy it has wrecked many associations. In most instances the disloyalty of members is unintentional and is largely due to the fact that most of them can realize only the advantage of the moment. As an illustration, the local buyer's bid for a certain class of stock may be \$10 per 100 pounds, the central market price \$11, and the total expense of marketing through the shipping association, including shrinkage in transit, 75 cents. This would leave a net margin of 25 cents per 100 pounds in favor of cooperative marketing. The association member, however, thinking only of the 75 cents marketing cost, refuses to ship through the association because he considers the expense and risk too great to compensate for the expected margin of profit. Again, a local buyer may undertake to destroy an association by reducing or eliminating his own margin of profit. Sometimes he actually takes a loss, having in mind recovering such losses on future business after the association has been forced to disband.

The association member, seeing only immediate profits, and failing to realize that the local buyer will widen his margins as soon as competition is destroyed, sells to the buyer rather than utilize the facilities of his association for shipping to central market.

(4) In many instances members of a shipping association are unwilling to allow a fair compensation for the manager's services. The usual result of such a policy is that even where a competent and efficient manager is employed in the beginning, he resigns as soon as he becomes convinced that the association is unwilling to pay adequately for competent service. For example, an association may begin with a small volume of business and pay the manager only a small compensation for his services. As the latter is enthusiastic regarding the possibilities of cooperative marketing, he works hard to give satisfaction, believing that since he is paid on the basis of volume by weight his compensation will increase as the business increases. Eventually his com-

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<sup>3</sup> A Federal law requires that all animals transported in interstate commerce shall be unloaded for feed, water, and rest every 28 hours, unless the animals can and do have proper feed, water, and space in the cars, in which event the animals need not be unloaded; provided that the period of confinement may be extended to 36 hours on request of the shipper or person in custody of the shipment.

pensation as manager doubles or triples because of his efficiency and the increased volume of business. This causes discontent among a certain class of members who have had no experience in employing men of managerial ability. They feel that the manager is being paid too much for his services, even though the increased volume of business requires more of his time, and they endeavor to have his compensation reduced. They are usually successful in forcing his resignation, as there are always a number of men of mediocre ability who are willing to take the manager's position for less money.

A reduction in operating expense gained by employing a manager who will work for a low salary does not necessarily mean greater returns to the members. The manager who will serve for a low compensation may be inefficient and incompetent, with the result that the marketing expense is actually increased rather than decreased. He may fail to take advantage of the various ways by which freight costs can be reduced; he may have heavier shrinkage and greater losses from death and injury in transit, or fail to collect claims as successfully as the higher-paid manager. He may fail to prorate the returns equitably, or to keep his records and accounts in a satisfactory manner.

(5) Frequently an association is wrecked because of the desire of some of the members for the manager's position. Their efforts to obtain the manager's dismissal cause dissension and bickering among the membership, with the result that the association soon fails.

(6) There have been instances where an association was used to strengthen or develop some other organization in a community by linking the two organizations through membership dues or by other means. In some of these cases the shipping association suffered as a result of this arrangement because the officials were more interested in the success of the other organization.

#### SUMMARY

The extensive and rapid development of cooperative livestock shipping associations during the last 11 or 12 years; and particularly during the past 8 years, is indicative of marked benefits to their members and the movement must be recognized as a factor of permanent and growing importance in the marketing of livestock.

Simplicity of organization and the fact that no capital is required make the cooperative shipping of livestock peculiarly adapted to communities in which more complex forms of cooperation would be impracticable. Although not necessarily feasible in all sections, especially those in which livestock generally is marketed in carload lots, or where there is insufficient stock in a community to make up full carload shipments, nevertheless there are many communities in various parts of the country which would be greatly benefited by such associations.

Principal requisites to the success of these associations are a competent manager, good business methods, and loyalty on the part of members. It is important that the manager be well known in the community and experienced in marketing livestock. He should possess initiative, ability, and have a likable personality. He should be a man whose reputation in business dealings has been such as to gain the confidence of the farmers.

It is important that the officers, particularly the board of directors, keep informed at all times as to the financial affairs of the association. The success of an association will depend also on the loyalty of its members.

Wherever these associations have been operated efficiently in communities where there was a genuine need for them an appreciable saving to the farmer has resulted. The profit that formerly went to the local shipper now goes to the farmer, and he has the satisfaction

of knowing that he receives for his stock the actual market price, less the cost of marketing. Moreover, the activities of a competent manager and the influence of a successful association make for a general improvement in methods of marketing livestock and a better knowledge of market prices and conditions by farmers in the entire community. The beneficial influence thus exerted is of no less importance than the actual saving to members on the shipments handled by the association.

## APPENDIX

### SUGGESTED FORM OF BY-LAWS FOR COOPERATIVE LIVESTOCK SHIPPING ASSOCIATIONS

These by-laws are merely suggestive, and should be changed to meet the individual needs of the association. The notes following some of the sections are merely explanatory, and, of course, are to be omitted in the by-laws adopted by the organization.

BY-LAWS OF THE \_\_\_\_\_ COOPERATIVE LIVESTOCK SHIPPING ASSOCIATION<sup>4</sup>  
[Name]

An association incorporated under the laws of the State of \_\_\_\_\_, and having its principal place of business in the town of \_\_\_\_\_, State of \_\_\_\_\_.

#### ARTICLE I.—*Objects*

SECTION 1. The objects of this association shall be to market the livestock of the community in such manner as to obtain the greatest net returns to the individual members; to develop better market facilities; to study local, State, and National livestock marketing problems which affect the welfare of the members of the association; to foster and develop the cooperative spirit in the community; and to perform any other work which may tend to the betterment of the members and the general benefit of the neighborhood.

NOTE.—Make the objects as definite as possible. Care should be taken to state the objects so as to keep the activities within the limits of the power conferred by the statute under which the association is incorporated, as well as in harmony with the articles of association.

#### ARTICLE II.—*Membership*

SECTION 1. Any bona fide producer of livestock in any territory tributary to the shipping points of this association, upon acceptance, may become a member of the association by agreeing to comply with the requirements of these by-laws.

SEC. 2. Upon the applicant entering into such an agreement and paying the membership fee the association shall issue him a certificate of membership. Such certificate of membership shall not be transferable. For an association with capital stock substitute for the above sections 1 and 2 the following:

SECTION 1. Any bona fide producer of livestock in any territory tributary to the shipping points of this association may become a member of the association by agreeing to comply with the requirements of these by-laws and purchasing at least [one] share of capital stock.

NOTE.—An association which desires to operate under the Capper-Volstead Act (a) must be composed of producers, (b) must be "operated for the mutual benefit of the members," (c) must not deal in the products of non-members to an amount greater in value than such as are handled by it for members, and must conform to one or both of the following requirements: "First, that no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein, or second, that the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum." Fuller information concerning the Capper-Volstead Act may be obtained from the Bureau of Agricultural Economics, United States Department of Agriculture.

<sup>4</sup>All matter appearing in brackets is merely suggestive, and is to be altered to suit the best interests of each individual association.

SEC. 3. The violation of these by-laws or any that may hereafter be adopted, or of any contract or agreement entered into by the association with a member, shall constitute a sufficient cause for the expulsion or suspension of such a member from the association. No member shall be deprived of the benefits of the association or be expelled from or suspended by it except by a two-thirds vote of the members present at any annual or special meeting following the mailing of a notice to each member in accordance with these by-laws, specifying that the matter of the expulsion or disciplining of such member is to be voted on at the meeting. The member shall have charges preferred against him at least [10] days in advance of such meeting and shall have an opportunity to present witnesses and to be heard in person and by counsel. Whenever the board of directors after a hearing determines that a member has ceased to be a bona fide producer of the products handled by the association, his membership may be terminated and his membership certificate canceled.

NOTE.—There may be conditions where it would be wise to limit membership to those who have been recommended by the board of directors or who have received a two-thirds vote of the members present at any meeting. In some localities there are persons who are continually finding fault with the way things are managed, and such people make undesirable members.

#### ARTICLE III.—*Fiscal year, meetings*

SECTION 1. The fiscal year of the association shall commence [January 1] and end on [the 31st of the following December].

SEC. 2. The annual meeting of the association shall be held in the town of ----- on the [third Monday in January] in each year at [10 a. m.].

NOTE.—The annual meeting should be held as soon after the end of the fiscal year as will allow time for settlement of all accounts, auditing of the books, and the preparation of the annual reports of the officers.

SEC. 3. Special meetings may be called at any time by the president, and he shall call such meetings whenever [10] members shall make such a request.

SEC. 4. Notice of the annual meetings shall be mailed by the secretary to each member at least [one week] previous to the date of the meeting, and such notice shall be published in a local newspaper not less than [one week] previous to the date of meeting. The secretary shall mail notice of any special meeting at least [five] days before the date of such meeting to each member of the association, and shall state in such notice the time of holding the meeting, the place where it is to be held, and the nature of the business to be transacted.

#### ARTICLE IV.—*Quorum*

SECTION 1. [One-fifth] of the members in good standing shall constitute a quorum for the transaction of business at any meeting.

NOTE.—When the organization is small and compact the proportion required for a quorum may be larger than in a large organization which includes considerable territory. One-fifth, as suggested, might be too large a number in some instances.

#### ARTICLE V.—*Directors and officers*

SECTION 1. The board of directors of this association shall consist of [seven] members, who shall be divided into three classes. After the adoption of these by-laws the members shall elect from among themselves [three] directors of the first class for a term of one year, [two] directors of the second class for a term of two years, and [two] directors of the third class for a term of three years. At the expiration of the terms of the directors so elected their successors shall be elected in like manner for terms of three years. Directors shall hold office until their successors shall have been elected and qualified and shall have entered upon the discharge of their duties.

NOTE.—In some States the corporation laws stipulate the number of directors and officers an association shall have. The plan of having each district within the shipping territory represented on the board of directors tends to avoid jealousies and ill feeling, and strengthens the confidence of those attempting to cooperate. Some object to having a director hold office for more than one year, believing that the board might be so objec-

tionable to the members that it would be desirable to elect an entirely new board at the annual meeting. There are many advantages, however, in keeping some experienced directors on each board. In case the entire board should go contrary to the wishes of the members, the recall of each director could be effected under section 5 of this article.

SEC. 2. The board of directors shall meet within [10] days after the first election and after each annual election, and shall elect by ballot a president and a vice president from among themselves, and a secretary-treasurer (or a secretary and a treasurer), who may or may not be a member (or members) of the association. They also shall appoint or employ a competent auditor who is not a director, officer, agent, or employee of the association. The officers shall hold office for one year, or until their successors are duly elected and qualified.

NOTE.—Some organizations prefer to have some one outside the membership act as secretary or treasurer, as, for instance, a local banker. When such an arrangement is desired it should be provided for in the by-laws as indicated in the preceding section.

SEC. 3. Any vacancy in the board of directors shall be filled for the unexpired term at any annual meeting or at any special meeting called for the purpose in the manner provided for the original election of directors.

SEC. 4. [Four] members of the board of directors shall constitute a quorum at any meeting of the board of directors.

SEC. 5. Any director of the association may for cause, at any annual or at any special meeting called for the purpose, at which a majority of the members shall be present, be removed from office by vote of not less than two-thirds of the members present. Such director or officer shall be informed in writing of the charges at least [five] days before such meeting, and at such meeting shall have an opportunity to present witnesses and to be heard in person and by counsel in regard thereto.

NOTE.—In some cases, especially when the board of directors is large, it is desirable to have an executive committee. Such a committee can be made up of the officers and one or two members of the board.

#### ARTICLE VI.—*Duties of the directors*

SEC. 1. The board of directors shall assume the responsibility of knowing the financial condition of the association at all times and of directing the affairs of the association. In addition they shall establish the policies and make the necessary rules and regulations, not inconsistent with law or with these by-laws, for the management of the business and the guidance of the officers, employees, and agents of the association.

SEC. 2. The board of directors shall employ a manager, fix his compensation, and may dismiss him for cause. The manager shall have charge of the business of the association, as provided in Article VIII hereof.

SEC. 3. The board of directors shall require the treasurer, manager, and all other officers, agents, and employees charged by the association with responsibility for the custody of any of its funds or property, to give bond with sufficient surety for the faithful performance of their official duties. The board of directors shall determine who shall sign checks, drafts, notes, deeds, and other instruments affecting the association.

SEC. 4. The board of directors shall meet on the [first Saturday] of every month at the office of the association in the town of ----- . Special meetings of the board shall be held upon call of the president or upon written request of [three] members of the board.

#### ARTICLE VII.—*Duties of officers*

##### SECTION 1. The president shall—

(a) Preside over all meetings of the association and the board of directors.

(b) Call special meetings of the association and of the board of directors, and perform all acts and duties usually required of an executive and presiding officer.

SEC. 2. In the absence or disability of the president, the vice president shall preside and perform the duties of the president.

##### SEC. 3. The [secretary-treasurer] shall—

(a) Keep a complete record of all meetings of the association and of the board of directors.

- (b) Serve all notices required by law and by these by-laws.
- (c) Receive and disburse all funds not handled by the association manager, and be the custodian of all property of this association.
- (d) Keep a complete record of all business of the association and make a full report of all matters and business pertaining to his office to the members at their annual meeting, and make all reports required by law.
- (e) Make a monthly examination of the manager's records and accounts, and render a report as to the financial affairs of the association at each regular monthly meeting of the board of directors.
- (f) Perform such other duties as may be required of him by the association or the board of directors.

NOTE.—When the offices of the secretary and treasurer are separate, the duties of each should be given in different sections.

#### ARTICLE VIII.—Duties and powers of the manager

SECTION 1. Under the direction of the board of directors, the manager shall employ and may discharge all employees, agents, and laborers employed under his supervision. He shall secure information as to production and market conditions, and furnish the same to the members on request. Subject to the orders of the board of directors and the by-laws and rules of the association, the manager shall have entire charge of the marketing of all livestock handled by the association.

SEC. 2. The manager shall not buy livestock for shipment to market or for sale locally while he is in the employ of the association.

SEC. 3. The manager shall be at the yard on all days shipments are to be made to inspect, receive, weigh, mark, sort, grade, and load the stock. He shall receive all payments for stock sold, and after deducting his commission and a sufficient amount to cover all the expenses incurred by the association in making the shipments, he shall pay the balance to the shippers as their interests shall appear. He shall keep a complete record of the expenses and returns on each shipment, and shall furnish to each owner of stock in the shipment a statement showing the net weight, the price received, the total amount, and the expenses of such stock.

NOTE.—The manager is the most important officer, and the success of the association depends largely upon him. He should not be handicapped in any way in the discharge of his duties. He can not be held responsible if he is to be dictated to at will by each member or if the officers are to interfere constantly with his work. This does not imply that the manager should be a dictator. He should be willing to consider suggestions of the officers and members, and from them and his own experiences he should construct a business plan. However, all instructions should come to the manager from the board of directors through the president. Whenever a manager loses the confidence or respect of the members he should be replaced by a manager who possesses these important qualifications. The duties of a manager differ with the different forms of organization and kinds of business. Therefore the duties here outlined must be considered as suggestive. Each association should redraft this provision to suit its purposes.

#### ARTICLE IX.—Membership fee and finance

SECTION 1. Each shipper shall pay to the association a membership fee of [\$1], which will entitle him to membership in the association. In the event it is not paid earlier, the fee shall be deducted from the proceeds of the first shipment of livestock of the shipper made through the association.

For an association *with capital stock* substitute for the above section 1 the following four sections:

SECTION 1. The capital stock of this association shall be [\$1,000], divided into [1,000] shares of [\$1] each. No member shall hold more than [10] per cent of the capital stock of the association.

SEC. 2. Transfers of shares shall be made upon the books of the association only when the stockholder is free from indebtedness to the association.

SEC. 3. Whenever any stockholder desires to sell his stock he shall first offer it to the association for purchase by the association or by a person or persons designated by the board of directors of the association at a price to be conclusively determined in good faith by the board of directors. In the

event the stock is not purchased by the association or by a person or persons designated as aforesaid within 30 days after receipt of a written notice by the association offering the stock for sale, then the stockholder may sell the stock to any person engaged in the production of livestock. This restriction on the transfer of stock shall be printed on every certificate of stock.

SEC. 4. If any member shall by purchase or by operation of law come into possession of more than one share of the capital stock of this association, the board of directors may elect to purchase and such members shall then sell to the association such excess shares at a price to be conclusively determined in good faith by the board of directors, plus any dividends or refunds due and unpaid. Also in the event of the death or disability of the owner of any shares of stock in this association, such shares of stock may be purchased by the association and shall, in the event the board of directors elects to purchase them, be sold by the legal representatives of such owner to the association at a price to be conclusively determined in good faith by the board of directors, plus any dividends or refunds due and unpaid.

NOTE.—The law of the State in which the association is organized should be carefully examined to determine the status of sections 2, 3, and 4 of this article. In general, provision should be made for them in the charter in order that they may be legal.

#### ARTICLE X.—*Duties and rights of members*

SECTION 1. A member shall have the right to dispose of his livestock as he may wish, but he shall not sell any livestock promised for shipment through the association to an outside party, except livestock offered to and rejected by the association.

SEC. 2. Whenever a member shall sell to an outside party the livestock promised by him to the manager of the association for shipment he shall, unless released by the manager, pay an amount to the association equal to the excess transportation and market expenses which the other members contributing to that shipment incurred by reason of his failure to comply with such promise.

SEC. 3. In case any member is offered a price which apparently will be in excess of the price that will be obtained at the terminal market by the association, said member shall turn the bid over to the association manager, who will handle it to the best interests of all concerned.

NOTE.—This provision is necessary to prevent an outside dealer from making a false offer to test a member's loyalty and arouse dissension, with the idea of disrupting the organization. Allowing the organization to handle this bid compels the mischief-maker to make good on his bid; the organization handles the deal and is strengthened rather than injured. One or two such experiences have usually discouraged this very common form of outside interference.

SEC. 4. Any member desiring to ship livestock through this association shall report to the manager as far in advance as practicable when such livestock will be ready for market, the kinds, the number of each kind, and the approximate weight of each, which he desires to market through the association. He shall deliver the livestock at the shipping yard at the time designated by the manager of the association.

SEC. 5. Each member of the association shall have only one vote. This shall not be exercised except when all debts and dues owed by him to the association have been fully paid. Voting by proxy shall not be permitted. Absent members may vote on specific questions by sealed ballots transmitted to the secretary of the association by mail, except in the case of the removal of a director or officer as provided for in Article V, section 5, of these by-laws, and such ballot shall be opened and counted only in the meeting at the time at which such vote is taken.

NOTE.—In a stock company which is organized to earn profits on the money invested in the business a member generally votes in proportion to the number of shares he holds, but a true cooperative association is based on the individual member, a number of whom unite to do something in which they have a common interest. In the former, money controls; in the latter, men. The practice of allowing a member to collect the proxies of absent members and vote them tends to give a single member influence in the association which is too dangerous to be allowed.

SEC. 6. Any member may withdraw from the association by giving notice in writing to the association; but such withdrawal shall not affect any right or lien which the association has against the retiring member or his property until his indebtedness to the association is fully paid. Any member having a grievance or complaint against the association may appeal to the board of directors or to the members.

SEC. 7. A member who does not avail himself of the facilities of the association at least once in any 12 months' period shall automatically forfeit his membership at the end of such period.

NOTE.—The laws of several of the States providing for the incorporation of cooperative associations require that the by-laws shall provide the manner of ascertaining a member's interest upon his death, withdrawal, or expulsion. This subject should be investigated, and if required provision made therefor. The following by-law is suggested when found necessary:

"On the death, withdrawal, or expulsion of a member his interest in the association shall be conclusively ascertained and determined by appraisal by the board of directors, and the association shall pay the amount thus ascertained to the member or his legal representative within one year from the date of appraisal."

#### ARTICLE XI.—*Indebtedness, membership liability*

SECTION 1. The amount of indebtedness which may be incurred by or on behalf of this association shall at no time exceed [\$2,000].

#### ARTICLE XII.—*Expenses, protection fund, and payment*

SECTION 1. The manager and secretary shall receive as compensation a sum, to be fixed by the board of directors, [per 100 pounds or per car] of livestock marketed through the association. The amount of the compensation of the manager and the secretary, together with an amount sufficient to cover any other expenses incurred, shall be deducted from the returns received for the livestock.

SEC. 2. Until changed by action of the board of directors, there shall be deducted [one-half of 1 per cent] from the net returns received for the livestock in addition to the charges provided for in section 1 of this article, and the amount so deducted shall be placed in a protection fund to be used for the payment of losses that may occur through the death or injury of animals after delivery to the association, and for the payment of expenses incidental to the conduct of the association's business. The board of directors shall have power to raise or lower this rate. Payments for such losses shall be based on the statement of the commission firm which handled the sale or of the purchaser of the stock, which statement shall show the amount received for the animal and the amount which, in their opinion, the animal would have sold for in case it had not been injured. All livestock shall be inspected when received, and any injured or diseased animals shall be handled entirely at the owner's risk, and no payment from the protection fund shall be made in the case of loss from death or injury of such animals. The regular charges paid or incurred for handling and marketing dead or injured animals shall be deducted before making payment to shippers from the protection fund.

SEC. 3. The net returns on each shipment, less all necessary expenses, shall be disbursed to the shippers as soon as practicable after being received.

SEC. 4. If at the end of any year there is any surplus beyond that which is necessary to pay the expenses of the association and to provide an adequate protection fund and any other necessary fund, it shall be divided among the members and nonmember patrons in proportion to the amount (or value) of their livestock sold. In case of a nonmember patron any part of such sums of money owing him as such may be applied with his consent to the payment of membership fees for him, and if so applied, when such fees are fully paid a membership certificate shall be issued to him. When any nonmember offers his livestock and the association accepts it for sale, such offer and acceptance shall be deemed an application for membership if the nonmember agrees that it shall be so considered.

For an association *with capital stock* substitute for the above section 4 the following:

SEC. 4. If at the end of the year there is any surplus beyond that which is necessary to pay the expenses of the association and to provide for an adequate protection fund and any other necessary fund, it shall be divided as follows:

(a) The stockholders shall receive not to exceed [6] per cent per annum on the par value of their stock.

(b) The remainder, if any, shall be divided among the members and non-member patrons, if any, in proportion to the amount (or value) of the livestock sold. In case of a nonmember patron any part of such sums of money owing him as such may be applied with his consent to the payment of one share of stock for him, and on payment thereof a certificate of stock shall be issued to him. When any nonmember offers his livestock and the association accepts it for sale, such offer and acceptance shall be deemed an application for membership if the nonmember agrees that it shall be so considered.

#### ARTICLE XIII.—*Accounts and auditing*

SECTION 1. This association shall install a standard system of accounts and provide other accounting supplies and equipment that may be necessary to conduct the business in a safe and orderly manner.

SEC. 2. A complete annual audit shall be made by a competent accountant previous to the date of each annual meeting, at which meeting his report shall be presented in full. A copy of the report shall be sent to each member of the association. Special audits shall be made upon order of the board of directors or upon a majority vote of the members at any regular or called meeting.

SEC. 3. This association shall endeavor to cooperate with other farmers' cooperative associations in this locality in securing the services of a competent accountant for its annual audit.

NOTE.—While small associations may not feel the need of such a strict system of investigating their accounts, it will pay to have this work done often and thoroughly. If the association's business is being conducted carelessly, frequent audits will make it known and better methods may be adopted before any great loss occurs. The cost of employing an expert accountant is more than balanced by the confidence which it gives the members.

#### ARTICLE XIV.—*Amendments*

These by-laws may be amended at any meeting if two-thirds of the members present and voting vote in favor of such change, provided that notice of such proposed amendment is included in the call for such meeting.

# ORGANIZATION OF THE UNITED STATES DEPARTMENT OF AGRICULTURE

July 1, 1926

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<i>Assistant Secretary</i> -----	R. W. DUNLAP.
<i>Director of Scientific Work</i> -----	-----
<i>Director of Regulatory Work</i> -----	WALTER G. CAMPBELL.
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<i>Director of Personnel and Business Adminis-</i> <i>tration</i> -----	W. W. STOCKBERGER.
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<i>Bureau of Public Roads</i> -----	THOMAS H. MACDONALD, <i>Chief</i> .
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<i>Fixed Nitrogen Research Laboratory</i> -----	F. G. COTTRELL, <i>Director</i> .
<i>Office of Experiment Stations</i> -----	E. W. ALLEN, <i>Chief</i> .
<i>Office of Cooperative Extension Work</i> -----	C. B. SMITH, <i>Chief</i> .
<i>Library</i> -----	CLARIBEL R. BARNETT, <i>Librarian</i> .
<i>Federal Horticultural Board</i> -----	C. L. MARLATT, <i>Chairman</i> .
<i>Insecticide and Fungicide Board</i> -----	J. K. HAYWOOD, <i>Chairman</i> .
<i>Packers and Stockyards Administration</i> -----	JOHN T. CAINE III, <i>in Charge</i> .
<i>Grain Futures Administration</i> -----	J. W. T. DUVEL, <i>in Charge</i> .

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This bulletin is a contribution from

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